

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



November 8, 2017

Oxy USA Inc.
Attn: Ms. Sarah Mitchell

ADMINISTRATIVE NON-STANDARD LOCATION

Administrative Order NSL-7569-A

Oxy USA Inc.
OGRID 16696
Nimitz MDP1 12 Federal Well No. 2H
API No. 30-015-Pending

Non-Standard Location

Proposed Location:

| | <u>Footages</u> | <u>Unit/Lot</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|----------------------|-----------------|-------------|-------------|--------------|---------------|
| Surface | 450' FNL & 1760' FWL | C | 13 | 24S | 30E | Eddy |
| Penetration Point | 340' FSL & 1271' FWL | M | 12 | 24S | 30E | Eddy |
| Final perforation | 340' FNL & 1270' FWL | 4 | 1 | 24S | 30E | Eddy |
| Terminus | 180' FNL & 1270' FWL | 4 | 1 | 24S | 30E | Eddy |

Proposed Project Area:

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|-----------------------|--------------|--------------------------|------------------|
| W/2 W/2 of Section 12 | 319.94 | Cotton Draw; Bone Spring | 13367 |
| W/2 W/2 of Section 1 | | | |

Reference is made to your application received on October 19, 2017.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19.15.16.14.B (2) NMAC concerning directional wells in designated project areas. This surface location is outside the project area, and is permitted by Rule 19.15.16.15. B (4) NMAC which allows for surface locations outside project area. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries

of the proposed project area than any location that would be a standard location under the applicable pool rules.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A (2) NMAC.

It is our understanding that the Applicant is seeking this location because they intend to increase their horizontal well spacing from four wells per section to six wells per section to effectively develop the Bone Spring and Wolfcamp formation. Increasing horizontal well spacing will optimize recoverable reserves.

This Order supersedes Administrative Order NSL-7569, issued on August 17, 2017.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

The above approvals are subject to your being in compliance with all other applicable Division rules.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.



DAVID R. CATANACH

Director

DRC/lrl

cc: Oil Conservation Division – Artesia District Office
Bureau of Land Management – Carlsbad Field Office